

IRS Offers Tips to Avoid Recovery Rebate Credit Confusion

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WASHINGTON — In response to errors showing up on early tax filings, the Internal Revenue Service today urged taxpayers and tax preparers to make sure they properly determine eligibility for the recovery rebate credit before they file their 2008 federal tax returns.

Some individuals who did not get the economic stimulus payment, and a smaller number of those who did, may be eligible for the recovery rebate credit. However, most taxpayers who received the economic stimulus payment last year will not qualify for the recovery rebate credit on their 2008 federal income tax return.

An early sampling of tax returns shows about 15 percent have errors involving the recovery rebate credit. Some tax returns erroneously claim the credit, do not claim the proper amount of recovery rebate credit or mistakenly enter the amount of the stimulus payment they received on the recovery rebate credit line.

To avoid delays in tax refunds, it is critical that taxpayers know the correct amount of the stimulus payment they received last year, if any, to help determine whether they qualify for the recovery rebate credit now.

The amount of the stimulus payment will not be entered directly on the tax return. For people using a paper tax return, the stimulus payment amount will be required when completing a related worksheet. For people using tax software, the stimulus payment amount will be needed as part of the return preparation process.

How to Get the Recovery Rebate Credit Right

The IRS sent taxpayers nearly 119 million stimulus payments last year. There are three ways individuals can find out how much they received:

- Check the amount listed on Notice 1378, which the IRS mailed last year to individuals who received the economic stimulus payment.
- Go to the [How Much Was My Stimulus Payment?](#) tool that is available on the IRS Web site, IRS.gov. This can provide the correct amount in a matter of a few seconds.
- Individuals can call the IRS at 1-866-234-2942. After a brief recorded announcement they can select option one to find out the amount of their economic stimulus payment. They will need to provide their filing status, Social Security Number and number of exemptions.

With the amount of last year's economic stimulus payment in hand, the taxpayer can then enter the figure on the recovery rebate credit worksheet or in the appropriate location when tax preparation software requests it.

If the taxpayer or preparer is using tax software, the amount of the rebate recovery credit will automatically be calculated and reported properly. If the taxpayer is using the paper method, the rebate recovery credit, as determined through the worksheet, should be reported on Line 70 of Form 1040, Line 42 of Form 1040A or Line 9 of Form 1040EZ.

For most taxpayers, the correct entry for the recovery rebate credit will either be blank or zero.

If there is any question at all as to the amount that should be reported for the recovery rebate credit, the taxpayer or preparer should enter a zero on the appropriate line above, and the IRS will determine whether a recovery rebate credit is due, and, if so, how much.

Some of the major factors that could qualify you for the recovery rebate credit include:

- Your financial situation changed dramatically from 2007 to 2008.
- You did not file a 2007 tax return.
- Your family gained an additional qualifying child in 2008.
- You were claimed as a dependent on someone else's return in 2007 but cannot be claimed as dependent by someone else in 2008.

Stimulus Payments Not Taxable; Reports of Extensive Refund Delays False

The IRS has received a number of recurring questions involving stimulus payments and the recovery rebate credit. Here are some important tips to keep in mind:

Taxability. The economic stimulus payment is not taxable and it should not be reported as income on the 2008 Form 1040, 1040A or 1040EZ.

Refund delays. IRS personnel are aware of reports that errors in claiming the recovery rebate credit could delay tax refunds for as much as eight to 12 weeks. These reports are false. As the IRS detects and corrects return errors concerning the recovery rebate credit, refund delays are currently no longer than about one week.

One payment. In addition, the IRS notes taxpayers will receive a single refund that includes any recovery rebate credit to which they are entitled. The IRS will not be issuing separate recovery rebate credit payments.

Refund amounts. The IRS reminds taxpayers they should not use their regular refund from last year in calculating the recovery rebate credit. Some taxpayers may be confusing their regular tax refunds with the economic stimulus payment they received when completing their 2008 tax return.

Direct Deposit Requests. Taxpayers who request a direct deposit will receive the refund in the form of a direct deposit even if errors are detected.

For more information, visit the Recovery [Rebate Credit Information Center](#) as well as the [rebate questions and answers](#) on IRS.gov.